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UNCLAS SECTION 01 OF 02 MANILA 005988

SIPDIS

SENSITIVE

STATE FOR EAP/MTS, DRL/IL, EAP/MLS, INR/EAP  
LABOR FOR ILAB

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [ELAB](#) [PHUM](#) [SOCI](#) [PINS](#) [RP](#)

SUBJECT: GRP ORDERS LARGE SUGAR PLANTATION TO DISTRIBUTE  
LAND TO WORKERS

REF: A. MANILA 5346

[B](#). MANILA 5096

[C](#). MANILA 4929

[D](#). MANILA 1401

[E](#). 04 MANILA 5552

[1](#). (U) This message is Sensitive but Unclassified.  
Please handle accordingly.

[2](#). (SBU) Summary: The GRP has upheld a recommendation by the Department of Agrarian Reform (DAR) to expropriate the "Hacienda Luisita" sugar plantation located in Tarlac, north of Manila, and distribute it to farmers working the land. The estate's management plans to appeal the decision. The ruling clouds the future of a December 8 agreement between management and unions to end a sometimes violent 13-month-long strike. Some observers believe that the GRP's decision had more to do with enmity toward former president Corazon Aquino, a part owner of the estate who turned against President Arroyo earlier this year, than any genuine support for land reform. End Summary.

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GRP Orders Hacienda to Distribute Lands  
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[3](#). (U) On December 20, 2005, the GRP's Presidential Agrarian Reform Council (PARC) voted 10-1 to uphold a recommendation by DAR to revoke the stock distribution option at the Hacienda Luisita plantation located in Tarlac Province about 90 kilometers north of Manila. PARC proceeded to approve the eventual re-distribution of the approximately 5,000-hectare property to the 6,000 - 8,000 farmers who work on the plantation. In taking its decision, PARC backed DAR's view that the farmers had actionable grievances against Hacienda Luisita over non-payment of annual dividends from their shares in the proceeds of the 500-hectare portion of the farm that was converted into a commercial area. (Note: PARC is co-chaired by the President and the Secretary of Agrarian Reform, and is made up of a landowners' representative, a farmers' representative, and various Cabinet secretaries. President Arroyo recused herself from the deliberations over Hacienda Luisita. The law allows for the President to review and possibly overturn the PARC's decision, but Malacanang announced on December 23 that President Arroyo had no plans to do so. End Note.)

[4](#). (U) Shortly after the PARC's decision, Agrarian Reform Secretary Nasser Pangandaman announced that the land in

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question will be expropriated by the GRP in January 2006 (with eventual compensation going to the owners) and subsequently divided in lots among its farmers. Prior to the actual distribution of land to the farmers, the quasi-governmental Land Bank of the Philippines will assess the value of the property and the exact terms of the compensation to be paid to Hacienda Luisita by the government. In a December 27 interview, DAR Undersecretary for Operations Narciso Nieto estimated the value of the property to be approximately 870 million pesos (USD 16.4 million), well short of the 4 billion pesos (USD 75.5 million) hacienda owners reportedly want it to be assessed at. Once the property is turned over to GRP control, the Provincial Office of DAR must then identify all qualified farmer-beneficiaries. This process may take over a year, according to DAR, because of the large number of potential beneficiaries.

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Plantation Management to Appeal  
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[5](#). (U) A Hacienda Luisita spokesman indicated in a December 23 press release that management plans to file a motion asking DAR to reverse its notice of the intended expropriation and division of the property. If DAR rejects Hacienda Luisita's motion (as is expected), the management may request a review by the Court of Appeals. If the Court of Appeals upholds DAR's decision, the only option left would

be an appeal to the Supreme Court. Neither former president Corazon Aquino nor Eduardo "Danding" Cojuangco, Jr., a major stockholder in San Miguel Corporation and one of the country's richest men, had any public comments on the PARC's action. (Note: Hacienda Luisita management is controlled by the Cojuangco clan of which Aquino is a member. End Note.)

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Recent Labor Agreement Now in Doubt  
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16. (U) PARC's order to redistribute the land clouds the future of an agreement recently reached by management and unions representing sugar mill workers and farmers. On December 8, Hacienda Luisita management signed separate Memorandums of Agreement with the United Luisita Workers Union (ULWU) and the Central Azucarera de Tarlac Labor Union (CATLU) ending a 13-month-long labor dispute. Hacienda Luisita and the unions had been in negotiations since February 2005 to settle the dispute which began when mill workers and farmers went on strike in late 2004, complaining of firings and pay cuts at the mill. (Note: Security forces clashed with workers and leftist demonstrators in November 2004 resulting in the deaths of seven strikers and supporters - ref E. Five additional activists and supporters of the striking unions have been killed in Tarlac in 2005 - ref A. End Note.) Key terms of the recent agreement include payment of back wages and benefits to farmers and mill workers; rehiring of employees terminated during the strike; and a wage increase for sugar mill workers.

17. (U) Upon reaching the agreement, plantation management and union members had initially hoped to resume milling operations in 2006. However, the planned distribution of the plantation's land to individual farmers makes the future of the agreement uncertain, and calls into serious question whether the plantation and mill will be ready for operations any time soon, given that ownership of the property will be in flux.

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Comment  
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18. (SBU) Landowners will be watching closely as the influential Cojuangcos battle in the courts to keep their property intact. Landowners indeed have some reason to be concerned with the potential fallout of PARC's ruling. Farmers in other localities are already passing around resolutions at their plantations calling for redistribution of land. Among many observers, however, there is the strong suspicion that the PARC's move had more to do with enmity toward former president Aquino, who turned against President Arroyo during political turbulence earlier this year, than any genuine support for general land reform.

Jones